



STATE OF WASHINGTON
DEPARTMENT OF LICENSING
PO Box 9020, Olympia, Washington 98507-9020

Washington Real Estate Commission
Meeting Minutes
June 14, 2006

Opening: Director Elizabeth A. Luce called the regular meeting of the Washington Real Estate Commission to order at 9:02 a.m. on Wednesday, June 14, 2006, at the Phoenix Inn, Olympia, Washington.

Members Present: Elizabeth A. Luce, Director/Chair
Paul Chiles, Commissioner/Vice Chair
Jim Carollo, Commissioner
Alan Barnard, Commissioner
Bob Spain, Commissioner
Suki Bazan, Commissioner
George Pilant, Commissioner

Staff Present: Lee Malott, Administrator
Jerry McDonald, Assistant Administrator
Marjorie Hatfield, Secretary Administration
Diane McDaniel, AAG
Sandra Spencer, Investigations Manager
Karen Jarvis, Regulatory & Enforcement
Dolores Casitas, Education
Deb Wright, Licensing Manager
Arthur Abrahamson, Audit Manager

OPEN SESSION

A. Approval of Agenda

MOTION: It was moved and seconded to approve the agenda as written.
Motion passed.

B. Approval of Minutes

MOTION: It was moved and seconded to approve the minutes as written with one correction. Page 4, Item G, second paragraph, second line: should read **CR 103** vice **CR 102**. Motion passed.

C. Introduction of New Assistant Director

Director Luce introduced the new Assistant Director for the Business and Professions Division, Ralph Osgood. Ralph comes to the Business and Professions Division from the Department of Revenue. Also Diane McDaniel was introduced and will be advising the Real Estate Commission.

D. Future of Rewrite

Lee Malott, Administrator updated the commission on the status of the 18.85 rewrite. Because of the limited number of resources necessary to carry forward the work it takes to promote new legislation the agency has asked the Washington Realtors to carry this endeavor on through the legislative process.

Bob Mitchell, Executive Project Coordinator for Washington Realtors, noted the association has been asked by the agency to move forward with the proposed legislation. Bob noted the task force spent two years working on the proposal and realized the possibility that this could be the outcome. Bob Mitchell reviewed the work being done with regard to the discussion draft:

- Work on the discussion draft has been finalized with the exception of a few minor changes prepared by staff.
- Stakeholder work is continuing.
- With rare exception the discussion draft has been well received by the licensing community.
- Concerns raised by the licensee community are fairly easy to resolve.
- Biggest concern is the issue regarding corporate employees, employees acting on behalf of owners.
- Message has been getting out to large and small group.

In terms of the internal process with regard to the Washington Association of Realtors:

- Executive committee has been briefed as to the decision made by the department
- Waiting to receive written recommendations from the stakeholder groups.
- Consumer and business affairs committee will convene and they will make the recommendation as to moving forward, submitting the proposal for consideration to the 2007 session.
- Recommendation will go to the legislative steering committee, which meets in Spokane in September.
- Ultimately the recommendation of the legislative steering committee will be submitted to the Associations Executive Committee where the determination will be made if it becomes a legislative priority.

Lee Malott, Administrator suggested to the commission that the hard work and efforts of the task force be acknowledged in a letter and also give the task force an update of where the department stands in carrying the process forward. There was unanimous agreement by the commission that a letter be drafted.

Lee Malott, Administrator suggested a housekeeping measures in the terminology of the 18.85 draft and to change the draft from #5 to #6.

Jerry McDonald, Assistant Administrator indicated the changes were those that the commission recommended at the March 16, 2006 with one exception. The one exception was clarifying the handling of earnest money, Draft #6, page 30.

Commissioner Barnard raised the issue of the purchase and sale of real estate property as it applies to imminent domain. The change would prohibit individuals from holding a real estate license and could take away part of an individual's ability to license and sell real estate. He noted that because of safeguards and checks and balances in place, it would be nearly impossible for an individual to misappropriate real estate transactions.

Bob Mitchell suggested it would be helpful to clarify the issue regarding funds that are being held by third party closing companies. With escrow company transactions unless both parties to the transaction agree to how the money is disbursed, neither are bound by the escrow registration act to interplead their funds. Escrow companies and title companies are not bound by the same regulations as real estate brokers.

Following the discussion regarding interpleading of earnest money it was suggested by Ralph Osgood, Assistant Director, that the staff submit Draft #6 to the Code Revisers Office and the language be clarified in the draft. Draft #6 will then be forwarded on to the Washington Realtors.

The question was asked regarding the responsibility of each commissioner once the Z-Draft is handed over to the Association. Diane McDaniel, AAG, stated each commissioner could contact the Association in a personal capacity but not as a member of the commission or as a commissioner.

After lengthy discussions on changes recommended by the Department and the Commission Director Luce asked Commissioner Barnard to restate his motion on removing the component that would prohibit right of way agents or individuals involved in property condemnation from holding a Real Estate License in the state of Washington and the commission address the part that they be allowed to practice and to hold a license.

MOTION: The motion was stated as above but also the language be added to Draft #6. The motion was seconded and with no further discussion the motion passed.

Commissioner Chiles indicated that a second motion with clarifying language in the interpleading process and the department would work to develop clarifying language that captures what staff and commission members are trying to convey.

MOTION – No discussion, motion passed.

It was at the recommendation of Commissioner Chiles that the Washington State University Website on 18.85 Rewrite be allowed to continue at least until September 2006. It is at his recommendation that the site be maintained if the cost is minimal and the benefit to the stakeholders valuable.

Bob Mitchell noted that with the continuing stakeholder work on 18.85, stakeholders are being referred to this site. The site is a source of information and place to make operative comments about the proposal, therefore it is a benefit to continue this website.

Commissioner Chiles made a motion that the education trust fund dollars be used for this purpose of continuing the website.

Jerry McDonald suggested a modification to the motion indicating there would be no department sponsorship of this website.

MOTION - Motion seconded. No further discussion, motion passed.

E. Brainstorming for Future Projects

Noting previous suggestions made by staff and commission members at the March commission meeting, Lee Malott, Administrator asked what the desires of the commission are pertaining to future projects

- Predatory lending
- Fingerprinting –
- Outreach (newsletter and other forms of media)
- Standardization of forms
- Education committee covering future core requirements
- Standardization of forms
- Levels of penalties
- Better use of education funds
- Entity that produces video or CD on topics that the commission would want to convey

It was the suggestion of Commissioner Carollo that commission members look at ways to utilize money available in the education fund for educating the licensees.

Commissioner Barnard suggested a group be formed to study education possibilities and ways of using the education funds. That group could include:

- Commissioners,
- Stakeholders.
- Education providers.

Commissioner Chiles recommended that all commissioners bring ideas back to the Real Estate Unit. Core curriculum is specifically directed at the kinds of issues that licensees need to know more about for consumer protection. Core Curriculum identifies these needs on an ongoing basis through education providers. Commissioner Chiles suggested that the commission weigh in with ideas that are separate from the normal educational communications.

Paul Chiles made a motion that the commissioners initiate two committees of the Real Estate Commission:

- Education Committee (Bob Spain, Paul Chiles, George Pilant: Chair)
- Changes Business Practices Committee (Alan Barnard, Suki Bazan, and James Carollo: Chair)

MOTION – No discussion, motion passed.

Jerry McDonald will arrange conference calls with each group to discuss the issues.

F. Real Estate Process and Efficiencies

Jerry McDonald noted that the Real Estate website has been revamped and is much easier to maneuver. Thanks to Dolores Casitas and Debbie Wright the portion of the website pertaining to the real estate salesperson and broker was revamped. Jerry McDonald noted that difficulties in accessing the website should be brought to the attention of the staff.

G. ARELLO Conference

The ARELLO Conference will be held September 2006 in San Antonio, Texas. Jerry McDonald will represent the staff. Commissioner Bazan will be the representative from the commission.

H. Concept Papers

Jerry McDonald, Assistant Administrator, told the commissions that the concept papers were prepared for (1) administration of the Timeshare and Camp Resort Programs and (2) Real Estate enforcement. The enforcement concept paper will increase the investigator and auditor FTE and also help with the backlog of applications.

I. Budget Report

Lee Malott reviewed the budget for the current biennium and the projections for the next biennium. The Real Estate Education Account allows for more education efforts in the program. The Real Estate Commission Fund Balance reflects a good balance because of the continued growth in the industry. The Research Fund Balance account has a workable balance and is funding real estate projects at the WCRER. In the FTE overview, expenditures are slightly under target but will break even at the end of the biennium.

J. Status of WAC 308-124A-430

Jerry McDonald noted that the CR 103 had been filed. Basically the WAC corrects the error that licensees are being tested on the current laws vice the law of 1990. This change becomes effective 30 days after filing and it was filed on May 31, 2006.

K. WCRER

Glenn Crellin, speaking on behalf of the Washington Center for Real Estate Research noted some of the projects undertaken.

- Survey was mailed in January to ten percent of the licensees
- Approximately 4050 surveys were mailed
- 47 returned with incorrect/bad addresses
- 1060 completed surveys received given the length of the questionnaire
- Statistical work is ongoing
- Presentation of results at September commission meeting.

Study of the Growth Management Act is moving forward and the Center is continuing to revise the procedures in place. Glenn Crellin said the scope of the study would be extended beyond the four or five counties previously indicated.

Glenn Crellin indicated that changes are underway at Washington State University for the next academic year that will impact the operation of the Center.

- Contract of visiting professor of real estate has not been renewed.
- Replacement for upcoming year has not been found.
- Glenn Crellin will undertake a full teaching mode for the academic year 2006-07 year and will have the opportunity to bring an individual into the Center to do research now underway in the Center.

Glenn Crellin mentioned that for the first time WSU had participated in the Pacific Northwest Real Estate Challenge sponsored by NAIOP. This was a very rewarding activity. The level of activity and commitment by the students was extraordinary. WSU placed second among participating schools, losing only to a team of graduate students from Portland State University. The students from WSU are undergraduate students.

Glenn Crellin distributed to the commissioners a proposal to undertake an updated audit of the courses that are used by real estate licensees in renewal of their licensees. Schools have found this information very helpful in planning the activities. The commission has also found it useful in determining the content of the core curriculum as well as understanding the issues relative to regulation of real estate education particularly as it moves toward distance education and less reliance on classroom structure. As a project for the 2006-2007 school year WCRER proposes to use students to go through affidavits submitted by each licensee entering the information into a statistical database. License renewals during calendar year 2006 will be reviewed, and all renewal processed only will be incorporated in the study. The total cost for this project would be no more than \$9,894. DOL will be expected to provide workspace and computer resources in the DOL office to be used by the students for data entry and communication with WCRER.

MOTION: Commissioner Carollo made a motion to support the proposal presented by Glenn Crellin. Motion seconded. No further discussion, motion passed.

L. Other Business

Director Luce asked Commissioner Alan Barnard to remain as a member until the Governor has reappointed or selected a new member. Commissioner Barnard's term expires on August 14, 2006.

Commissioner Chiles recalled that at the March commission meeting the discussion on outreach and looking at ways to improve the number of people of color as real estate licensees looking at areas such as Yakima, Tri-Cities and other parts of western Washington. Paul Chiles suggested that this is possibly an area education committee would consider. Jerry McDonald volunteered to check with PROMISSOR if they had statistics relating to this topic. There being no further business, the meeting was adjourned.

Respectfully submitted,

Lee Malott
Administrator